THE HONORABLE MARC L. BARRECA
Hearing Date:February 17, 2012
Hearing Time: 9:30 a.m.
Response Date: February 10, 2012
Hearing Location: Seattle
Chapter 7

THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re ADAM GROSSMAN, Debtor.	Case No. 10-19817 MOTION FOR ORDER THAT PROCEEDING IS ONE UNDER STOCKBROKER LIQUIDATION SUBCHAPTER III

COMES NOW the Debtor, by and through his attorney of record Jeffrey B. Wells, and moves the court for an order that, pursuant to the amended petition for bankruptcy, the present Chapter 7 bankruptcy estate is a proceeding under subchapter III 11 U.S.C. section 741 et seq.

FACTUAL BASIS

The Terrington Davies Tanager Fund LP, a Delaware Limited Partnership, the "Fund", was opened in June 2006 and ceased active business in November 2010. The general partner of the Fund was Terrington Davies LLC, a Delaware Limited Liability Company, the "Advisor", and it was formed in the spring of 2006. Adam Grossman and Jeffrey Bernstein were the Managing Members of the Advisor from the start. Jeffrey Bernstein resigned on or about October 2010 and the Debtor Adam Grossman transferred his interest in the Advisor to

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Keywest Financial LLC, a Georgia Limited Liability Company, while he was Debtor-in-possession and before the Chapter 11 Trustee assumed his duties. The Advisor has essentially no assets of its own. Neither Mr. Grossman nor Mr. Bernstein received consideration for the sale because, in fact, it had negative value as explained below.

The operating agreement of the Advisor provided that it was owned two-thirds by the Debtor Adam Grossman, and one-third by Jeffrey Bernstein. As the date of the transfer of Terrington Davies to Keywest Financial LLC, Adam Grossman owed it $18,000 based on a corporate meeting held between Adam Grossman and Jeffery Bernstein in October, 2010, during which the payment of past unpaid accounting costs and future expected costs was estimated and allocated among the Managing Members of the Advisor in the proportions 2/3 (Adam Grossman) and 1/3 (Jeffery Bernstein).

The Fund primarily traded SEC regulated broad-based equity index options on the Chicago Board Options Exchange (CBOE). The Fund filed with and was regulated by the Securities and Exchange Commission (SEC). The Fund employed a statistical arbitrage strategy and executed trades on behalf of investors in the last year of operation (2010) having an aggregate underlying nominal value of three hundred million dollars ($300,000,000.00). This was a slow year for the fund which had previously executed trades having an aggregate underlying nominal value closer to one half of one billion dollars ($500,000,000.00).

Adam Grossman, as managing member and agent for Terrington Davies LLC, the Advisor for the Fund, had signatory authorization on the accounts of the Fund. The Fund operated under SEC Regulation D, §504, §505 and §506. From 2006 through 2010, as the agent and managing member of the Advisor to the Fund, the Debtor personally executed transactions of SEC regulated derivatives on behalf of investors.

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Between 2003 and 2007, the Debtor personally and not as an agent nor through a company personally executed transactions in SEC regulated derivatives in managed accounts which were replaced and obviated by the formation of the limited partnership that allowed the pooled money of multiple investors to be traded through a single entity.

LEGAL ARGUMENT

11 U.S.C. section 101(53A) defines stockbroker to be a person "(A) with respect to which there is a customer, as defined in section 751 or this title; and (B) that is engaged in the business of executing transactions and securities (i) for the account of other; (ii) members of the general public from or for such persons own account."

11 U.S.C. section 741(2)(A) defines customer as an "entity with whom a person deals was principal or agent and that has a claim against such person on account of a security received, acquired, or held by such person in the ordinary course of such person's business as a stockbroker, from or for the securities account or accounts of such entity – (i) for safekeeping; (ii) with a view to sale; (iii) to cover a consummated sale; (iv) pursuant to a purchase; (v) as collateral under a security agreement; or (vi) for the purpose of effecting registration of transfer; and (B) entity that has a claim against a person arising out of – (i) a sale or conversion of a security received, acquired, or held as specified in subparagraph (A) of this paragraph; or (ii) a deposit of cash, a security, or other property with such person for the purpose of purchasing or selling a security."

As more fully set forth in the declaration of Adam Grossman, the Debtor served as the agent and managing member for the advisor Terrington Davies LLC, and in addition held monies and made offers in his name on behalf of investors in real estate. He held title interest in accounts in which he had signatory authority which were assets owned by other people in

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which he did not have an equitable interest.

Wherefore, Debtor respectfully requests that the court enter an order that the present Chapter 7 bankruptcy is a stockbroker liquidation under Subchapter III 11 U.S.C. §741 et seq.

Dated this 12th day of January, 2012.

/s/ Jeffrey B. Wells
Jeffrey B. Wells, WSBA #6317
Attorney for Debtor

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THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re ADAM GROSSMAN, Debtor.	Case No. 10-19817 DECLARATION OF ADAM GROSSMAN IN SUPPORT OF MOTION CONFIRMING AMENDED FILING AS STOCKBROKER LIQUIDATION SUBCHAPTER III

I am the Debtor herein.

I respectfully request that the court approve my motion for an order confirming my amended petition representing that my case should proceed under subchapter III Stockbroker liquidation.

This is based on my greater understanding that this classification more accurately reflects the nature of my business and is better suited to deal with it.

A majority of the income I received during the period from 2003–2010 was that of an asset manager and securities trader.

A very large majority of the assets which I held title interest or had accounts in which I

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had signatory authority were assets where I was not the equitable owner, but was rather the manager for other people's money. For example, monies were deposited by investors in the Terrington Davies Tanager Fund LP and were managed by me and my partner Jeffrey Bernstein, as more fully set forth in the motion which accompanies this declaration, which I have read, and which I adopt as part of my declaration as fully set forth herein.

Prior to the formation of the limited partnership in which the assets of many investors could be traded from within a single account, I traded SEC regulated derivatives in the form of managed accounts during which my authority was personal and not in the capacity of an agent or through the capacity of another entity nominally assigned to manage the assets. I actively traded securities in managed accounts from 2003 through 2007 after which the formation of the Fund obviated the need for managed accounts.

I also held monies including earnest deposits, and made offers in my name on behalf of investors in real estate. This activity I did directly and on my own and was separate and apart from the involvement of any company or other entity. Once again, I was investing monies on behalf of clients, just as I was doing for Terrington Davies Tanager Fund LP as a managing member of the general partner Terrington Davies LLC having the title Director, Trading and Strategy. There were never any employees to either the Fund or the Advisor as I and my partner Jeff Bernstein were the only managing members and did all of the work. There was a standard industry agreement 2/20 (2% of assets under management and 20% of profits) by which the Advisor as general partner controlled assets, determined investments and executed transactions. As Director of Trading and Strategy, I personally executed every single transaction throughout the lifetime of the fund (approximately 30,000 transactions).

The same two-entity structure whereby one entity (Fund) held client assets and the other

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entity (Advisor) consisted of people who managed the assets of the Fund through a fee-based management agreement, typically based on the size and performance of the assets under management, was used in the Fund/Advisor structure for the Ptarmigan Fund LLC and Terrington Davies Capital Management LLC.

I did for a short time manage the assets of the Ptarmigan Fund (a fund designed to invest in real estate) before closing it due to the timing of its creation and my recent divorce. The Ptarmigan Fund did, during its existence, hold community funds belonging to me and my now ex-wife as well as funds of another outside investor.

I have reviewed the definition of customer under 11 U.S.C. section 741 2(a) and (b) and believe that the investors who dealt with me met the criteria of customers set forth in nearly each and every provision of that definition. I managed my customer's property, directly or indirectly through the companies I and my partners controlled. I held property of others for safekeeping, with a view to sale, pursuant to a purchase, as collateral under a security agreement, and for the purpose of effecting registration of transfer.

In fact, consistent with the partnership agreement which explicitly provided that the Advisor could be used as a conduit during the purchase or redemption of the securities we offered, redemptions from the Tanager Fund generally passed through the Advisor's (Terrington Davies LLC) account in which I and my partner were both signatories. It was an account that did not represent or offer securities purchased by our clients, nor did our clients have any interest in the company. This is a very clear example of our commonly holding customer property in a manner in which I, or we, held title interest, but no equitable interest in assets that were customer property.

To more particularly describe my investment practice, I have enclosed as Exhibit A an

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accountant's report by Peterson Sullivan LLC for the activities dealing with the years ending 2004, 2005 and the 6 months ending 2006. Attached as Exhibit B is a short report regarding Terrington Davies Tanager Fund LP.

One of the properties which the Trustee seeks to recover for the estate in his adversary complaint (cause #11-1954) is 868 Montcrest Drive, Redding, California. That property was purchased from redemption of nearly all capital units held by my business and my family (community or separate, directly or indirectly) in Terrington Davies Tanager Fund LP and transferred to Terrington Davies LLC. These funds were then wired to Placer Title Company for the closing. I held title as "Adam Grossman" as an individual. This is but one example where I held title interest in my name but not equitable interest. A copy of my subsequent transfer to Terrington Davies Capital Management LLC is attached hereto as **Exhibit A**. (Escrow made a mistake in describing me as an "unmarried man," likely by looking up other deeds. At no point did I issue instructions anywhere to escrow to describe me as an "unmarried man." This mistake, I believe, was irrelevant.)

I hereby declare under penalty of perjury under the laws of the State of Washington that the foregoing statements are true and correct to the best of my information and belief.

Dated this 11th day of January, 2012.

____/s/ Adam Grossman____________
Adam R. Grossman

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Hearing Date: February 17, 2012
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THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re ADAM GROSSMAN, Debtor.	Case No. 10-19817 NOTICE OF HEARING ON MOTION FOR AN ODRER THAT THE PRESENT PROCEEDING IS ONE UNDER SUBCHAPTER 111, 11 U.S.C. SECTION 741

PLEASE TAKE NOTICE that the **Motion for order that the present proceeding is one under subchapter 111, 11 U.S.C. 741 et seq.** IS SET FOR HEARING AS FOLLOWS:

JUDGE: Marc L. Barreca TIME: 9:30 a.m.

PLACE: U.S. Bankruptcy Court
700 Stewart St. Rm 7106
Seattle, WA 98101

DATE: February 17, 2012

IF YOU OPPOSE the Motion, you must file your written response with the court clerk, serve two copies to the Judge's chambers and deliver copies on the undersigned and the Chapter 7 Trustee NOT LATER THAN the RESPONSE DATE, which is February 10, 2012.

IF NO RESPONSE IS TIMELY FILED AND SERVED, the Court may, in its discretion, GRANT THE MOTION PRIOR TO THE HEARING, WITHOUT FURTHER NOTICE, and strike the hearing.

DATED this 12th day of January, 2012.

/s/ *Jeffrey B. Wells*
Jeffrey B. Wells, WSBA #6317
Attorney for the Debtor

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THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re ADAM GROSSMAN, Debtor.	Case No. 10-19817 ORDER THAT PROCEEDING IS ONE UNDER SUBCHAPTER 111, 11 U.S.C. SECTION 741 ET SEQ. - ***PROPOSED*** -

THIS MATTER having come on regularly before the above-signed Judge of the above-entitled Court upon the motion of the Debtor for an order that this proceeding is one under Subchapter III Stockbroker Liquidation, and notice having been given to all creditors and parties in interest, and no opposition to said motion having been filed; Now, Therefore,

IT IS HEREBY ORDERED that the present proceeding is a proceeding under subchapter 111 11 U.S.C. section 741 et seq.

/// End of Order ///

Presented by:

/s/ Jeffrey B. Wells
Jeffrey B. Wells, WSBA #6317
Attorney for Debtor
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